



City of Springfield, Massachusetts



FY13 Budget Overview

May 7, 2012



Agenda

- Introductions
- Springfield's Successes
- Causes of the Current Situation
- Requests for Assistance
- Next Steps



Springfield's Success

- Developed City's first Strategic Action Plan
- Paid back State loan
- Multiple bond rating upgrades by both major raters
- Continued to maintain stringent financial policies implemented by the Control Board
- Developed Capital Improvement Plan and Debt Affordability analysis
- Created the City's Multi-Year Financial Plan
- Implemented monthly and quarterly reporting to the Council and public
- Created tax payer monthly statement
- Consolidated City and School CFO's
- Maximizing grant opportunities from all sources
- Maximizing technology – MUNIS, Accela, NeoGov
- Reduced General Fund FTEs by 17% while maintaining core services to date
- Responded to, recovered from and planned for rebuilding from TWO MAJOR NATURAL DISASTERS including managing cash flow to ensure vendors were paid timely and general operations could be maintained



City of Springfield, Massachusetts

Causes of the Current Situation

- Property Taxes – Levy Ceiling Beginning in FY12, the City’s levy has been constrained by the proposition 2 and ½ levy ceiling. This means that we lose the annual 2 and ½ percent increase (worth \$4.3M in FY12) and new growth (averaged at \$4.3 million for the past 5 years). This revenue is lost in the current and subsequent years and can never be used to support City services.
- State Aid - The City’s Unrestricted General Government Aid (UGGA) has decreased by a total of \$13 million, or 29%, since FY08. Right now, the amount of UGGA received by the City does not even fully cover the City’s required contribution through Chapter 70 to School Department operations. In summary, all of the City’s State Aid supports the School Department and none is available to support municipal operations.
- Legal & Contractual Increases – The City must account for non-discretionary increases in the budget such as health insurance, pensions, labor contracts, and energy costs which crowds out the ability to maintain core programs and services.
- Long Term Trend – City core services are being squeezed by the lack of revenue growth and demand imposed by growth in cost of non-discretionary expenses (shift from 75/25 to 86/14)



City of Springfield, Massachusetts

Multi-Year Financial Forecast

	FY07 ACTUAL	FY08 ACTUAL	FY09 ACTUAL	FY10 ACTUAL	FY11 ACTUAL	FY12 ADOPTED	FY13 MYFP Base Case	FY13 MYFP Balanced Case	FY14 MYFP PROJECTED	FY15 MYFP PROJECTED	FY16 MYFP PROJECTED
REVENUE											
Property Taxes	141,134,996	144,389,339	158,790,820	165,100,169	160,748,781	164,232,988	157,203,115	157,203,115	157,203,115	159,203,115	160,203,115
Local Receipts	52,976,157	45,260,105	47,973,995	42,537,995	38,431,505	36,341,229	34,307,682	34,707,682	33,095,546	33,017,812	32,917,812
State Aid - Schools	237,177,377	259,741,998	241,946,329	264,140,752	266,995,345	279,124,754	290,106,708	290,106,708	298,682,046	307,514,645	316,612,221
State Aid - Non-Schools	68,076,777	68,737,284	62,144,023	51,983,004	52,629,095	51,288,096	49,298,684	51,613,891	51,610,579	50,417,330	48,551,695
Reserves	-	-	11,304,220	10,000,000	13,500,000	6,215,955	7,000,000	7,000,000	3,500,000	1,000,000	-
Other Sources	-	-	-	8,589,789	15,826,654	5,000,000	500,000	6,500,000	5,500,000	5,500,000	5,500,000
Total	499,365,307	518,128,726	522,159,387	542,351,709	548,131,380	542,203,022	538,416,189	547,131,396	549,591,286	556,652,902	563,784,843
EXPENDITURES											
City Non-Discretionary											
SCHOOLS	274,895,677	296,909,519	282,212,288	310,099,714	320,382,859	330,834,330	342,759,459	342,759,459	353,042,242	363,633,510	374,542,515
MUSEUM	1,100,000	1,320,000	1,320,000	1,320,000	1,320,000	1,320,000	1,320,000	1,320,000	1,320,000	1,320,000	1,320,000
DEBT SERVICE	34,399,357	39,522,411	39,231,614	38,250,684	39,047,540	38,189,091	38,900,598	38,189,091	40,067,616	41,269,645	42,507,734
STATE ASSESSMENTS	2,834,318	2,591,642	3,216,792	3,284,465	3,068,177	2,997,635	3,045,885	3,045,885	3,106,803	3,168,939	3,232,318
CONTRIBUTION RETIREMENT PENSION	18,876,050	21,194,541	20,844,904	22,050,947	23,926,835	23,703,102	24,585,326	24,585,326	25,817,064	26,764,692	27,691,755
UNEMPLOYMENT	420,000	110,656	-	527,421	306,900	475,087	475,087	475,087	475,087	475,087	475,087
WORKERS COMPENSATION	-	-	-	962,702	995,783	1,082,000	1,082,000	1,082,000	1,000,000	1,000,000	1,000,000
MEDICAL & DENTAL	-	-	-	1,095,890	1,456,888	1,000,000	1,000,000	1,000,000	1,200,000	1,200,000	1,200,000
HEALTH INSURANCE - CITY	30,086,966	23,824,214	23,119,014	22,782,865	21,788,782	23,544,952	23,350,690	23,350,690	24,284,718	25,256,106	26,266,351
NON-CONTRIB. PENSIONS	-	490,918	-	321,734	327,259	300,000	300,000	300,000	315,000	315,000	315,000
CAPITAL RESERVE FUND	2,071,398	-	-	2,545,124	2,901,441	2,459,738	2,500,995	2,459,738	2,576,025	2,653,305	2,732,905
PARKING CONTRACT	-	285,611	1,045,291	1,397,072	1,279,521	1,360,617	1,394,632	1,394,632	1,422,525	1,450,976	1,479,995
PAY-AS-YOU-GO CAPITAL	-	-	1,285,337	3,312,791	2,121,882	3,018,418	2,881,615	2,881,615	2,939,248	2,998,032	3,057,993
DIF Debt Service Payment	-	-	-	660,185	125,735	130,000	130,000	130,000	133,900	137,917	142,055
Subtotal (Non-Discretionary)	364,683,766	386,249,512	372,275,240	408,611,594	419,049,602	430,414,970	443,726,287	442,973,523	457,700,227	471,643,209	485,963,707
% of Total	75%	76%	75%	78%	77%	79%	78%	81%	83%	85%	86%
City Discretionary											
City Departments	121,511,707	124,938,685	124,916,411	117,548,099	125,313,094	111,163,052	121,495,375	103,857,873	91,591,059	85,009,693	77,821,136
M.C.D.I. CONTRACT	350,000	-	-	1,025,000	825,000	625,000	300,000	300,000	300,000	-	-
Subtotal (Discretionary)	121,861,707	124,938,685	124,916,411	118,573,099	126,138,094	111,788,052	121,795,375	104,157,873	91,891,059	85,009,693	77,821,136
% of Total	25%	24%	25%	22%	23%	21%	21%	19%	17%	15%	14%
Total Expenditures	486,545,473	511,188,197	497,191,651	527,184,693	545,187,696	542,203,022	565,521,662	547,131,396	549,591,287	556,652,902	563,784,843
MYFP - Surplus / (Gap)	12,819,834	6,940,529	24,967,736	15,167,016	2,943,684	(0)	(27,105,473)	(0)	(0)	(0)	0
Actual Stabilization Balance			34,897,570	30,011,939	43,752,876	*					
Estimated Stabilization Balance						41,000,000	34,000,000	34,000,000	30,500,000	29,500,000	29,500,000
% of Budget						7.56%	6.31%	6.31%	5.55%	5.30%	5.30%
*Assumes FY11 free cash is transferred and a \$1M FY12 surplus											



City of Springfield, Massachusetts

Requests for Assistance

- Legislation to capture new growth
 - Estimated Revenue to the City = \$4.3M annually; This legislation would allow for the new growth in the City's property values to be counted in the budgeted levy which would take the City's primary levy limit beyond the constraints of Proposition 2 and ½.
- School Transportation
 - Estimated savings to the City = \$20M annually; Currently the City is responsible for all School related transportation costs for both Public and Charter Schools. Regional School districts receive some assistance from the State to defray the cost of student transportation. Since the City's land size and student population is comparable to a regional school district, the City should be considered as part of this allocation to help defray School transportation costs. In addition, about \$700K of the City's transportation costs are related to transportation for homeless students to bring them to their home districts. Assistance for funding these costs could be treated as regional transportation so that some reimbursement could be received by the City.



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Requests for Assistance

- Net School Spending waiver
 - Estimated savings to the City = \$60M over the life of the debt or \$3M annually; Currently, the rules of net school spending do not allow for debt service payments, even for school projects. Because of the tornado that impacted Western MA, two (2) schools in the City were partially or fully destroyed and require significant capital repair and reconstruction. Allowing for the City's required portion of debt service to be paid from surplus funds within the School department would keep the remaining capital needs of the City on pace as described in our Capital Improvement Plan. An alternative to waiving the Net School Spending requirement would be to have the MSBA pay 100% of the costs that are not reimbursed by FEMA for the tornado damaged school projects.
- Promise Program
 - Estimated revenue to the City = \$5 million– The State has forgiven the loan to the City and has invested approximately \$8 million toward the Springfield Promise Program. This proposal would utilize \$5 million either all at once or over several years as other revenue sources are re-built. The program currently operates on an annual budget of approximately \$500K which would allow for 3 full years of program operations.



Other Ideas

- Additional local aid
- Disaster funding
- Chapter 90
- Medicaid Reimbursements
- Review of formulas to ensure Springfield is getting our fair share (per Federal Reserve Report)



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Next Steps